Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

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PAGE 01 BRASIL 01734 261632Z

44
ACTION ARA-10

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TO SECSTATE WASHDC PRIORITY 4203
INFO USDEL MTN GENEVA
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TAGS: OVIP (KISSINGER, HENRY A.) ETRD, BR, US
SUBJECT: PRESS REPORTS SUGGEST BRAZILIAN CONFIDENCE THAT THE SECRETARY'S VISIT WILL HELP SOLVE TRADE PROBLEMS

REF: SAO PAULO 404

1. SUMMARY. PRESS REPORTS SUGGEST THAT THE SECRETARY'S VISIT HAS GIVEN RISE TO A CAUTIOUS CONFIDENCE ON THE PART OF BRAZILIAN ECONOMIC MINISTERS THAT THE US AND BRAZIL CAN FIND SOLUTIONS TO URGENT TRADE PROBLEMS--WHICH SEVERAL NEWSPAPERS CALLED THE MOST IMPORTANT PROBLEM IN US-BRAZILIAN RELATIONS. ACCORDING TO THE PRESS, THE ECONOMIC MINISTERS SAID WHAT IS NEEDED IS A GREATER US POLITICAL COMMITMENT TO SOLVING THESE PROBLEMS. THEY ALSO SAID IMAGINATION WAS NEEDED TO FIND SOLUTIONS COMPATIBLE WITH THE TRADE ACT--PERHAPS INCLUDING ADJUSTMENTS IN BRAZIL'S EXPORT "INCENTIVE"MECHANISMS. THE APPARENT CONFIDENCE OF THE ECONOMIC MINISTERS WAS EXEMPLIFIED IN MISLEADING PRESS REPORTS THAT THE US HAD AGREED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BRASIL 01734 261632Z

TEMPORARILY TO SUSPEND NEW RESTRICTIONS ON CERTAIN BRAZILIAN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

EXPORTS TO THE US UNTIL SECRETARY SIMONS'S TRIP
TO BRAZIL IN MAY. MINISTERIAL CONFIDENCE SEEMED CHECKED
BY AN EXPRESSED AWARENESS OF THE POLITICAL COMPLEXITIES
RELATING TO US EXCUTIVE AND CONGRESSIONAL ROLES ON TRADE
ISSUES. NONETHE-
LESS, SEVERAL BRAZILIAN MINISTERS WARNED THAT BRAZIL WOULD
SEEK "ALTERNATIVES" TO THE US IF NECESSARY. END SUMMARY.

2. THE PRIORITY OF ECONOMIC ISSUES. THE BRAZILIAN PRESS
HAS STRESSED THE PRIORITY OF ECONOMIC ISSUES, ESPECIALLY
TRADE, IN THE SECREATRY'S VISIT AND IN US-BRAZILIAN RELATIONS.
AS THE PRESTIGIOUS O ESTADO DE SAO PAULO EDITORIALIZED (FEB. 21),
"THE PRINCIPAL PROBLEM OF BRAZIL IS ECONOMIC, BOOSTING AND
DEVELOPING (THE ECONOMY), AND THE NEW PROBLEMS RELATED TO
GLOBAL INTERDEPENDENCE." A COLUMN IN O ESTADO'S
ECONOMIC SECTION (FEB. 22) CALLED TRADE THE NUMBER ONE
PROBLEM IN US-BRAZILIAN RELATIONS, AND SAID THE BILATERAL
TRADE DISEQUILIBRIUM SIMPLY CANNOT CONTINUE. A FRONT PAGE
STORY IN O ESTADO (FEB. 22) SAID THE VISIT MADE CLEAR THAT
THE ECONOMIC PROBLEM IS WHAT "DISTURBS" RELATIONS WITH THE
US. IT WAS ALSO CLEAR, THE STORY CONTINUED, THAT THE
SECRETARY AND GOB INTERLOCUTORS DID NOT TRY TO RESOLVE SPECIFIC
TRADE CASES BUT RATHER SOUGHT TO ESTABLISH A CORRECT CLIMATE,
A BETTER POLITICAL PERSPECTIVE WHICH WOULD PERMIT THE
SOLUTION OF ALL ECONOMIC ISSUES AND WOULD PREVENT
SPECIFIC PROBLEMS FROM BEING TRANSFORMED INTO CONFRONTA-
TIONS. EXPRESSING THE RESULTS OF THE VISIT MORE POSITIVELY,
FINANCE MINISTER SIMONSEN, ACCORDING TO A POST-VISIT
JORNAL DE BRASILIA STORY (FEB. 24), SAID THE VISIT MARKED AN
INITIAL AND PROMISING PHASE OF A MORE EXTENSIVE DIALOGUE
WITH THE US AIMED AT RESOLVING ECONOMIC DIFFERENCES.

3. SOLUTIONS TO TRADE PROBLEMS. O ESTADO (REF. PARA 3.B;
FEB. 21) REPORTED THAT FINANCE MINISTER SIMONSEN BELIEVED
A US-BRAZILIAN AGREEMENT CAN BE REACHED SHORTLY, PERHAPS
BY YEAR-END, ON WAYS TO AVOID ADDITIONAL RESTRICTIONS ON
BRAZILIAN EXPORTS TO THE US. ACCORDING TO THE STORY,
SIMONSEN CALLED THE MEETINGS WITH THE SECRETARY BENEFICIAL.
HE SAID IMAGINATION IS NEEDED TO FIND SOLUTIONS COMPATIBLE
WITH THE TRADE ACT. MINISTER VELLOSO WAS REPORTED TO HAVE SAID
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BRASIL 01734 261632Z

THE MAIN TAKS WAS TO OBTAIN
A FIRM US POLITICAL DISPOSITION TO SOLVE THE PROBLEM. HE
ALSO SAID INSTRUMENTS NOT CLASSIFIED AS SUBSIDIES WERE
NEEDED, AND SIMONSEN REMARKED THAT IDEAS WERE BREWING.
AN UNDENTIFIED SOURCE SAID, ACCORDING TO THE STORY, THAT
THE SECRETARY'S GOOD DISPOSITION COULD RESULT IN
ADDITIONAL SUPPORT FOR "THE DESIRE SHOWN BY BRAZILIAN
AUTHORITIES TO REEXAMINE THE CONDITIONS OF TRADE." WHAT

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

IS HOPED, THE SOURCE SAID, IS THAT THE SECRETARY WILL TRANS-
MIT TO HIS GOVERNMENT A VERY CLEAR VIEW OF THE IMPORTANCE
GIVEN BY BRAZILIAN AUTHORITIES TO ECONOMIC QUESTIONS.

4. SUSPENSION OF US TRADE RESTRICTION. O ESTADO
(REF. PAR 3.C; FEB.21), IS A MISLEADING STORY APPARENTLY BACK-
GROUNDED BY GOB OFFICIALS, CLAIMED THAT THE US HAD AGREED TEMPORARILY
TO SUSPEND THE APPLICATION OF ADDITIONAL RESTRICTIONS TO
BRAZILIAN EXPORTS OF SHOES, CASTOR OIL, AND LEATHER HAND-
BAGS. THE SUSPENSION WOULD LAST UNTIL THE TRIP TO BRAZIL
BY SECRETARY SIMON, EXPECTED IN THE FIRST-HALF OF MAY.
THE IMMEDIATE EFFECT OF THE US DECISION, THE STORY ALLEGED,
IS THAT QUOTAS WOULD NOT BE PLACED ON SHOES AS US INDUSTRIES
HAD DEMANDED. ALTHOUGH THE US DECISION HAD RESULTED FROM
DIRECT UNDERSTANDINGS BETWEEN FINANCE MINISTER SIMONSEN
AND SECRETARY SIMON, THE STORY ASSERTED, "OFFICIAL CIRCLES"
ASSURED THAT SECRETARY KISSINGER'S VISIT AND THE CREATION
OF A CONSULTATIVE MECHANISM BETWEEN THE TWO COUNTRIES WOULD
OPEN THE WAY TO AN AGREEMENT WHICH WOULD TAKE INTO CONSIDERA-
TION BRASILIAN EXPORT INTERESTS. "BRAZILIAN AUTHROTIES"
NOTED THAT SECRETARY KISSINGER'S USE OF THE WORD "SUBSIDIES"
APPEARED TO BE DELIBERATE, DESIGNED TO REINFORCE THE US
POSITION, WHEREAS THE BRAZILIAN GOVERNMENT CONCEDES "ONLY
INCENTIVES OF A FISCAL AND FINANCIAL NATURE." THE STORY
POINTED OUT THAT THE TRADE ACT PERMITS THE SECRETARY OF
TREASURY TO SUSPEND COMPENSATORY MEASURES TEMPORARILY UNDER
CERTAIN CONDITIONS, AND THE PRESIDENT HAS THE POWER TO REFUSE
TO INVOKE THEM ALTHOUGH CONGRESS CAN OVERTURN HIS
DECISION. ACCORDING TO THE STORY, BRAZILIAN AUTHORITIES,
HOWEVER, ARE PESSIMISTIC AS TO A SIMPLE ELIMINATION OF THE
DUTIES IN VIEW OF THE INTERNAL DIFFICULTIES THE US EXCUTIVE
BRANCH IS FACING. THESE AUTHORITIES, THE STORY SAYS,
ARE MORE PRONE TO EXPECT AN EASING OF THESE RESTRICTIONS
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AS A CONSEQUENCE OF THE KISSINGER VISIT AND THE PROSPEC-
TIVE SIMON VISIT.

5. A POST-VISIT STORY IN THE JORNAL DE BRASILIA (FEB. 24)
REPORTED THAT A "HIGH SOURCE CONNECTED TO THE PRESIDENCY"
SAID THE ELIMINATION OF SURTAXES ON BRAZILIAN PRODUCTS
WOULD BE THE BEST WAY THE US COULD SHOW ITS UNDERSTANDING
OF BRAZIL'S CURRENT NECESSITIES. THE SOURCE ALSO SAID
THIS UNDERSTANDING SHOULD INCLUDE THE CONCESSION OF
CREDITS WITHIN A MORE LIBERAL AND PRAGMATIC SCHEME IN
ORDER TO HELP BRAZIL OVERCOME ITS BALANCE-OF-PAYMENTS
DEFICIT.

6. A WARNING. NEWS REPORTS QUOTED BOTH FINANCE
MINISTER SIMONSEN AND FOREIGN MINISTER SILVEIRA AS WARNING

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THAT BRAZIL WOULD PURSUE "ALTERNATIVES" TO THE US IF NECESSARY. ACCORDING TO AN O ESTADO DIPLOMATIC COLUMNIST (FEB. 22), SIMONSEN DEFINED BRAZIL'S VIEW ON THE US-BRAZILIAN DIALOGUE ON THE EVE OF SECRETARY'S VISIT AS:
--BRAZIL EXPECTS MORE FAVORABLE ECONOMIC TREATMENT FROM THE US;
--(SUCH TREATMENT) WOULD BE INDISPENSIBLE TO IMPROVING THE HEAVY BILATERAL TRADE DEFICIT;
--THE GROWING IMPORTANCE OF BRAZIL IN THE WORLD CONTEXT CERTAINLY WOULD STIMULATE THE SECRETARY TO TAKE UP THIS OBJECTIVE WITH THE WHITE HOUSE AND CONGRESS;
--IF IT IS NOT POSSILBE (FOR THE US) TO ACT IN THESE TERMS, BRAZIL COULD DIVERSIFY ITS IMPORTS AND SEARCH FOR ALTER-NATIVES TO REDUCE THE BILATERSL DEFICIT.
EXPRESSING A SIMILAR VIEW IN A BROADER CONTEXT, SILVEIRA WAS REPORTED IN RIO'S JORNAL DO BRASIL (FEB. 21), TO HAVE WARNED THAT, "IF THE ACTIVE AND HISTORICAL AMERICAN PARTICIPATION IN BRAZILIAN DEVELOPMENT IS NOT ACCELERATED, BRAZIL WILL HAVE TO SEARCH FOR NEW OPTIONS AND THESE INEVITABLY WILL LEAD THE COUNTRY TO ESTABLISH NEW POLITI CAL OPTIONS."
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